

## **Memorandum**

To: Samuel E. Poole, III, Executive Director

From: Allen Vann, Inspector General

Date: July 31, 1998

Subject: Letter Report: Recommendations To Improve The Minority/ Woman Owned Business (M/WBE) Reporting Process – Audit # 98-06a

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### **BACKGROUND**

Pursuant to Section 40E-7.623, the District is required to prepare an annual report summarizing M/WBE activities by industry classification. The Office of Inspector General is required to verify the accuracy of statistical data presented in this report. Our opinion as to the reported amounts in the FY 1997 M/WBE report is contained in a separate letter report dated June 26, 1998 that accompanied the annual report. Having completed our verification, we offer the following comments and recommendations to improve future M/WBE reporting activity.

### **M/WBE Recordkeeping System Limitations**

The Policy and Goal Setting Committee determined that the District's reporting standard for M/WBE participation would be on a full contract value basis. Full contract value basis is defined as recognizing the full contract value and M/WBE award amount in the fiscal year in which the contract is executed. However, the District's financial reporting system (LGFS) is not capable of reporting the required data on a full contract basis without significant manual adjustment to LGFS data.

LGFS is a budget driven software that includes only amounts for contracts and purchase orders, which are expected to be spent during the current fiscal year. Multi-year or work-order contracts in which M/WBE goals are established cause reporting problems in that only the current year portion is presented in LGFS. LGFS also carries forward the current year balance of multi-year contracts that originated in a previous fiscal year.

Furthermore, LGFS does not have the capacity to monitor M/WBE subcontractor data. The Office of Supplier Diversity and Outreach (SDO) maintains a separate database to monitor these activities.

Another limitation of LGFS is the system's recognition of transactions with vendors that are certified or uncertified for a portion of the fiscal year. The system classifies vendor transactions as either minority or non-minority based on how the vendor is currently classified, as certified or not certified, in the system. If a vendor is currently classified as certified, all transactions with that vendor are classified as minority transactions regardless of the date of certification. The opposite is also true.

As a result of LGFS limitations, we used the District's Contract Information System (CIS) which is a database that includes most contracts entered into during the fiscal year on a full contract value basis. However, the CIS is a stand-alone system maintained and updated by the Procurement Division. It is not reconciled to LGFS and the industry categories are different from those required under the District's M/WBE Contracting rule.

Since neither system provided all the FY 97 contracts, purchase orders and M/WBE participation, LGFS and CIS reports were compiled to create a listing of all FY 97 contracting activity and industry classification. This process was labor intensive and took SDO and Inspector General staff many hours to reconcile and complete.

The initial FY97 M/WBE contracting totals were primarily based on LGFS data. As a result of incomplete system's information, significant adjustments were required to accurately state the contracting, commodity and M/WBE prime contractor participation balances.

Considering SDO's responsibilities in M/WBE program implementation, monitoring and reporting, performing redundant data entry tasks and manual bookkeeping is not an effective and efficient use of SDO staff time. The long-term solution is the full implementation of the Integrated Contract Management System (ICMS) recommended by the Procurement System Redesign Team headed by the Office of Enterprise Design. The original due date for this was April 1, 1998, and Phase 1 of the implementation process is almost finished. The contract data resident in ICMS is similar to that of CIS. Phase 2 is expected to be completed in FY 99. This Phase will add more data fields and enable the SDO and others to better monitor contracting activity. Until Phase 2 is completely implemented, the SDO will have to maintain a database of all contracting activities and/or perform reconciliations of the ICMS and LGFS data.

## **Recommendation**

- 1. The District should prioritize Phase 2 ICMS implementation. In addition, the District should consider standardizing industry classification of contracts to those required in the M/WBE Contracting rule.**

### **Management Response:**

Concur. Phase 1 of ICMS was implemented according to schedule in February 1998. A Phase 1 Enhancement Team was formed to identify and prioritize needed enhancements and modifications in June 1998. The Team is in the process of preparing specifications for programmers to make changes. Several of the top priority enhancements are changes within data elements which will provide additional information for M/WBE and other important areas. Many of these changes must be completed prior to embarking on Phase 2 implementation in order to provide for expanded data elements necessary to accommodate some Phase 2 initiatives.

The District will study the feasibility of using standardized industry classification of contracts.

Responsible Division: Office of Business Resources  
Estimated Completion Date: February 1999

## **Contractor and Subcontractor Compliance with M/WBE Rule**

Our review of a sample of non-minority prime contractors and M/WBE subcontractors indicated that the proper documentation was not always present in the contract file. We found six instances in which necessary forms<sup>1</sup> completed by the non-minority prime contractor and M/WBE subcontractor agreeing to the level of participation were not in the file documentation. These completed forms demonstrate to the District that the prime contractor and subcontractor have a meeting of the minds as to the work to be completed and its cost.

## **Recommendation**

- 2. The non-minority prime contractor and the M/WBE subcontractor should complete and sign these forms in all cases. The forms should be maintained in Contract Administrator files.**

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<sup>1</sup> Non-minority prime contractors complete the Schedule of Subcontractor / MBE Participation. The Subcontractor completes the Statement of Intent to Perform as an MBE Subcontractor.

Management Response:

Concur. Management will re-emphasize to Contract Administrators the need to ensure that this documentation is obtained and maintained in the appropriate contract file.

Responsible Division:	Office of Business Resources
Estimated Completion Date:	September 1998

C: Governing Board  
Michael Slayton  
Carolyn Williams  
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